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C O N F I D E N T I A L SECTION 01 OF 04 KATHMANDU 000129

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SUBJECT: NEPAL: BOUCHER STRESSES U.S. INTEREST IN
DEMOCRACY, DEVELOPMENT AND END TO VIOLENCE

REF: 08 KATHMANDU 1297

Classified By: Ambassador Nancy J. Powell. Reasons 1.4 (b/d)

Summary

11. (C) During his February 11-12 visit to Kathmandu, Assistant Secretary Richard Boucher emphasized to members of the Government of Nepal that the United States was interested in strengthening Nepal's democracy, in promoting the country's economic development and in seeing an end to violence. Prime Minister Pushpa Dahal was emphatic that the United Communist Party of Nepal - Maoist is committed to multi-party democracy and confident his coalition government will serve out its term. He promised Boucher a statement soon renouncing terrorism and immediate action on past terrorist incidents involving the U.S. Embassy. Dahal and the other ministers expect that the constitution will be drafted by the 2010 deadline, although devising a federal state will be difficult. The Assistant Secretary urged the Maoist Party to work in consensus with the other parties, including in completing the peace process through the rehabilitation and integration of Maoist combatants. Boucher affirmed that the Obama Administration intended to continue its assistance to, and engagement with, Nepal.

Prime Minister: Confident About Government, Constitution

12. (C) On February 11, Prime Minister Pushpa Dahal insisted to visiting Assistant Secretary for South and Central Asian Affairs Richard Boucher that the United Communist Party of Nepal - Maoist is committed to multiparty democracy and human rights. The Maoists have no intention of seizing power. Dahal said he was not worried other parties would bring down his government; his coalition will serve out its two-year term. His goal is to reach political consensus on major issues, including with the opposition Nepali Congress. The Prime Minister said 40 teams of Constituent Assembly members were about to travel around the country seeking input in drafting Nepal's new constitution. Dahal predicted the main debate in the CA would be over the question of federalism, but that the Assembly will meet its May 2010 deadline.

Peace Process Moving, Development Needed

13. (C) The Maoist Party chief noted that the Special Committee on integration and rehabilitation of Maoist combatants, which he was chairing, was scheduled to have its third meeting later the same day. He hoped the Special Committee would complete its work by the time the UN Mission in Nepal's term ended in July 2009. Dahal opined that some People's Liberation Army units should be integrated into the Nepal Army, not just as individuals, but he added that the details will have to be discussed. The Maoists will be flexible. The Prime Minister urged the United States to provide a massive increase in aid, what Maoist Finance Minister Baburam Bhattarai called in the same meeting a "mini Marshall Plan." The Prime Minister argued that, given the state of the country after a decade of civil war and the large number of unemployed youth, only a big increase in aid could ensure the current peace would be sustainable. The two Maoist Ministers pushed for more U.S. investment. Dahal pointed out the cabinet was in the process of establishing an investment board, which he will head, to approve and expedite mega investment projects -- in hydropower, for example.

Boucher: Lifting of Terrorist Tags, Press Freedom

14. (C) The Assistant Secretary welcomed the strong public statement that the Prime Minister had issued in December condemning the terrorist attacks in Mumbai. Boucher asked

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if the Prime Minister would make a broader statement renouncing terrorism in all its forms. Before the United States could take the Maoists off the Terrorist Exclusion List and the Specially Designated Global Terrorist List and have normal relations with the party, the Maoist Party would also have to acknowledge responsibility for the killing of the two Embassy guards -- to the families and the public, perhaps to the National Human Rights Commission or the future Truth and Reconciliation Commission. In addition, the United States continues to look closely at the Maoists' attitude toward violence. The United States wishes to see the Young Communist League (YCL) demobilized as a paramilitary organization as promised and was concerned that the Maoists' use of violence was coming up again. Prime Minister Dahal said he could issue a general statement soon. He reiterated that the killing of the guards had not been pursuant to Central Committee policy, and noted that a senior party leader had already provided a detailed explanation of the killing to the U.S. Embassy (reftel). The Maoist chief hoped any remaining questions could be cleared up within "a few days." It would be no problem to acknowledge responsibility to the family. The Prime Minister stated that incidents of violence by the League had "very much decreased." The process of demobilizing the League had started: they had already vacated some industrial estates. Boucher highlighted press freedom as another U.S. concern. Dahal conceded that some Maoist cadres had been involved in "wrong activities," and cited the example of the attack by Maoist labor leaders on Himal Media. Dahal said he had intervened to ensure the culprits were handed over to the police. The Maoist Party chief also admitted that Maoist cadres participated as individuals in the killing of a woman journalist (Uma Singh) in the Terai in January.

Aid Continuing, Looking for Climate Change Partners

15. (C) Boucher pointed out that the United States had maintained a high level of assistance to Nepal in 2008 of approximately USD 70 million per year, even after the Maoists took over the country's government. The Assistant Secretary said the United States was keen to enhance its existing aid coordination with the government and among donors. This was especially important as the Nepal Development Forum

approaches in May. Boucher urged the Prime Minister and the Finance Minister to create positive conditions for private investment, particularly in hydropower, and remarked that U.S. investors were interested. Democracy and development would be the focus of the new U.S. administration. He added that President Obama and Secretary Clinton were looking for partners to address the issue of climate change and had appointed a special envoy on the issue.

Foreign Secretary: Bhutanese and Tibetan Refugees

16. (C) In his meeting with Assistant Secretary Boucher on February 11, Foreign Secretary Gyan Chandra Acharya encouraged Boucher to urge the parties to stay the course on the peace process and the constitution. The difficulty was that the Government of Nepal was facing so many conflicting demands at once. The biggest challenge is figuring out how to improve the government's delivery of services to the people. Boucher reported that the Bhutanese Prime Minister had told him during his visit that the Royal Government of Bhutan was ready to deal with the Nepalis on taking back refugees in categories 1 and 4, but it is most important to establish the principle that some refugees had a right to return. Acharya said that the Government of Nepal had told the Royal Government of Bhutan in New York during the UN General Assembly in fall 2008 and in subsequent meetings in New Delhi that Nepal and Bhutan must take advantage of the window of opportunity created by the U.S. resettlement program. He worried that the Royal Government would want to revisit the past, insisting on proof of physical eviction. He expressed concern as well about the residual population of

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Bhutanese refugees. The Foreign Secretary stated that starting an UN-administered registration program for Tibetan refugees would be "difficult." Nepal was under tremendous press from the Chinese Government not to change the current arrangement. The Assistant Secretary countered that the current arrangement left Nepal with a problem: many longtime resident Tibetans with no legal status. He pointed out that the United States was willing to take some.

Foreign Minister: Government, Constitution, Integration, Terai

17. (C) On February 11, Foreign Minister Upendra Yadav detailed to Boucher that the governing coalition would stay together, but more consensus was needed. Yadav, who is head of the Madhesi People's Rights Forum, expected the Nepali Congress to be a cooperative opposition. The parties lost lots of time -- 8 months out of the 24 provided to draft the constitution -- but Yadav indicated that the Assembly is compelled to complete it on time. Public pressure, including from civil society, will make sure of it. The Madhesi want a presidential system of government with autonomous states. The Foreign Minister praised the strength and democratic principles of the U.S. Constitution and welcomed assistance from U.S. experts. Regarding integration of combatants, Yadav noted that the Madhesi had a different concept from the Maoists: integration does not mean a merger of the two armies. The character of the Nepal Army as a national army needs to remain the same. Minors and other unverified require vocational training and various options for employment. The last option should be integration of individuals into the Army. He blamed the Maoists for the delay in getting started. With respect to the Terai, the law-and-order situation is poor, but not out of control. Most of the armed groups are criminals and have no political agenda. The political groups must be brought into the mainstream, and reasonable demands addressed. Prior agreements with the Madhesi should be implemented. Finally, to ensure security, the political parties have to be persuaded to stop interfering with the police every time an accused person is arrested.

18. (C) In a separate meeting with the Assistant Secretary on February 12, Finance Minister Bhattarai confided that he is optimistic that things are "moving in the right direction." There were ups and down, but this is to be expected after 10 years of civil war. However, if the Government of Nepal failed to create jobs, and absorb the youth into productive activities, the country would face a crisis. The Finance Minister averred that schoolteachers in the villages would contribute useful ideas to Members of Parliament as they fan out across the country seeking suggestions for the new constitution. Drafting will start in earnest after the teams return to Kathmandu in March. Boucher raised again the issue of violence by the Young Communist League. While the Prime Minister characterized it as a matter of a few incidents, the United States sees it as a much more widespread problem. Bhattarai responded that the Maoist party was frankly concerned. "Some bad elements" had infiltrated the party. At the same time, the Maoists recognized the League's paramilitary style must change. The difficulty was that the League consists of full-time members of the party who had left homes and family during the insurgency. They expect the party to look after them. The Maoists are developing projects such as road construction to keep them busy. The Assistant Secretary reiterated that the U.S. would be conducting the review of the Maoists' terrorist designations, watching the level of violence. The Finance Minister promised a general statement against terrorism soon.

Economy, Trade

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19. (C) Bhattarai stated that internal funds were not enough for the Government of Nepal to complete all of the required reconstruction. Nepal needs donor funds, including for big projects in areas such as energy (hydropower) and tourism. Boucher encouraged Bhattarai to work with the World Bank and Asian Development Bank (ADB). The United States does not have the money for big projects, but is actively engaged with the Bank and the Bank, and the involvement of the international financial institutions will also attract the needed private capital. The Finance Minister noted that Nepal had not yet been greatly affected by the global financial crisis, but observers fear that remittances will fall and overseas workers will be sent home. In a subsequent meeting that Bhattarai arranged in his office, Nepali business leaders appealed to the Assistant Secretary for duty-free status for ready-made garments. Boucher replied to them, as he did to the Prime Minister, the Finance Minister, the Foreign Minister and the President: the expansion of U.S. trade preference to Nepali textiles was extremely unlikely.

President: Government, Rule of Law, Ordinances

110. (C) On February 12, President Ram Baran Yadav characterized Nepal as a country in transition, which has achieved a democratic republic. The issue is how to stabilize that republic. Consensus among the major political parties, including the Nepali Congress, is essential. The Special Committee has been formed; now it has to act fast to deal with the Maoist insurgents who are still in cantonments. President Yadav said the Maoist-led government is not serious about dealing with widespread violence, about the rule of law. Yadav pointed out that the Parliament had been in session for five months, and yet the Government had waited until one week after Parliament was on recess to present him with three ordinances for his signature. Yadav stated that he had told the Prime Minister that ordinances were to be the exception, and Dahal had agreed to use them sparingly. (Comment: Dahal assured Boucher on February 11 that the Government of Nepal will present all the ordinances, as

required, to the Parliament for debate and approval when it reopened in a month and a half.) Yadav urged the United States to promote democracy in Nepal, denounce violence, encourage development, and continue support for the Nepal Army.

Comment

¶11. (C) Prime Minister Dahal's reaffirmation to Assistant Secretary Boucher of the Maoists' commitment to multiparty democracy was timely given the continuing predilection of senior Maoist leaders, including Dahal, to engage in revolutionary rhetoric when speaking to Maoist cadres, and ongoing abuses by the Maoists' Young Communist League. His promise of a broad statement against terrorism is also welcome. Boucher took the opportunity to acknowledge limited progress by the Maoist-led government in drafting the constitution and bringing the peace process to a conclusion, but also to push for continued progress and consensus, as well as end to violence. The Assistant Secretary's February 11-12 visit, which received widespread, positive attention in the Nepali print and broadcast media, also served to reassure an anxious Nepali public that the United States is committed over the long-term to Nepal's democracy and its development.

¶12. (U) Assistant Secretary Boucher has cleared this cable.
POWELL